

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 /118 W
-----029155 240427Z /11

R 230630Z JUN 78
FM AMEMBASSY DAR ES SALAAM
TO SECSTATE WASHDC 0000
AMEMBASSY NAIROBI
AMCONSUL ZANZIBAR

UNCLAS DAR ES SALAAM 2703
NAIROBI FOR AG. ATT.

E.O. 11652: N/A
TAGS: ECON, EAGR, TZ
SUBJ: TANZANIA BUDGET DEBATE

REF: DAR ES SALAAM 2703

1. TANGOV PROPOSED BUDGET ESTIMATES (REFTEL) WERE APPROVED BY NATIONAL ASSEMBLY AFTER FIVE DAYS OF DEBATE. ACCORDING MEDIA, PARLIAMENTARIANS RAISED TWO MAJOR THEMES - CALLS FOR HIGHER PRODUCER PRICES FOR AGRICULTURAL CROPS AND FOR INCREASES IN SALARY STRUCTURE.
2. MAJORITY OF MP'S INCLUDING MUNGAI, HEAD OF SUGAR CORP. AND FORMER AGRICULTURE MINISTER, REPORTEDLY ARGUED THAT GOVERNMENT-SET PRODUCER PRICES FOR CASH CROPS WERE TOO LOW TO BE AN INCENTIVE FOR FARMERS. FOR EXAMPLE, WHILE COST OF PRODUCING KILOGRAM OF COTTON HAS RISEN TO 35 CENTS U.S. GOVERNMENT PAYS ONLY 30 CENTS FOR TO GRADE. THIS EXPLAINS, THEY SAID, DECLINING PRODUCTION OF MOST MAJOR EXPORT COMMODITIES AS WELL AS ADIBLE OIL CROPS. FARMERS WERE SHIFTING TO GRAINS WHICH GOVERNMENT PURCHASED AT CLOSE TO WORLD MARKET PRICES.

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MUNGAI SUGGESTED CROP PRICING POLICY THAT CONFORMS WITH NATIONAL PRODUCTION TARGETS. PARLIAMENTARIAN ALSO CRITICIZED POOR TRANSPORT AND CROP COLLECTION SYSTEM WHICH FRUSTRATE FARMERS'S EFFORTS TO GROW MORE.

3. PARLIAMENTARIANS ALSO NOTED WITH CONCERN THAT MINIMUM WAGE (\$48PER MONTH) AND SALARY SCALES HAVE BEEN FROZEN SINCE 1975,

WHILE DURING THE SAME THREE YEAR PERIOD COST OF LIVING HAS INCREASED DRAMATICALLY (AT LEAST 60 PER CENT). CIVIL SERVANTS AND WORKERS ARE BEING SQUEEZED BY TAXES AND INFLATION. MP'S SAID PRICE CONTROL MECHANISM HAS BEEN OF LITTLE APPARENT HELP IN PROTECTING DISPOSABLE INCOME.

4. RESPONDING FOR THE GOVERNMENT, PRIME MINISTER CAUTIONED PARLIAMENTARIANS ABOUT DEMANDING OR EXPECTING HIGHER CROP PRICES AND SALARIES IN VIEW OF TANZANIA'S POVERTY. HE SAID CROP PRICES ARE REVIEWED ANNUALLY AND POINTED OUT THAT RAISING PRODUCER PRICES IS NOT ONLY OR ALWAYS EFFECTIVE METHOD TO INCREASE PRODUCTION. SIMILARLY, HE SAID GOVERNMENT IS CONDUCTING REVIEW OF SALARY ISSUE BUT THAT RAISES, IF NECESSARY, WOULD BE LINKED TO PRODUCTIVITY. CAMBRIDGE PROFESSOR, TURNER, HAD PREPARED REPORT FOR TANGOV ON A NATIONAL POLICY FOR INCOMES, WAGES AND PRICES. ANG GOVERNMENT EXPECTED FORMULATE DECISIONS WITHIN THREE YEARS. SPAIN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DARES02703
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780263-0433
Format: TEL
From: DAR ES SALAAM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780627/aaaaaxaa.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a18ca182-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 DAR ES SALAAM 2703
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2231639
Secure: OPEN
Status: NATIVE
Subject: TANZANIA BUDGET DEBATE
TAGS: ECON, EAGR, TZ
To: STATE NAIROBI
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a18ca182-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014